

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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June 16, 2008

**To:** Governor Kathleen Sebelius and Legislative Budget Committee

**From:** Chris W. Courtwright, Principal Economist

**Re:** Legislative Adjustments to Consensus Estimates to FY 2008 and FY 2009

Pursuant to KSA 75-6701, the Legislative Research Department and Division of the Budget have adjusted the most recent estimates of State General Fund (SGF) receipts for FY 2008 and FY 2009. These adjustments reflect the fiscal impact of legislation involving receipts to the SGF enacted during the 2008 Legislative Session subsequent to the Consensus Revenue Estimate made on April 16, 2008. The attached tables show changes by source and incorporate those changes into the overall estimates for FY 2008 and FY 2009. FY 2008 receipts were decreased by \$0.259 million relative to the April estimate, attributable to changes in transfers enacted in the omnibus bill. FY 2009 receipts were decreased by \$28.278 million, with much of the difference again attributable to changes in net transfers.

An additional section has been added to this report discussing the implications for SGF receipts in FY 2010 and subsequent years relative to Kansas legislation enacted prior to April 16 (in some cases, several years before) as well as during the veto session.

The Consensus Group will meet again prior to December 4 to consider revisions to the newly adjusted FY 2009 estimate and to make an initial estimate for FY 2010.

## **FY 2008**

The following FY 2008 adjustments were made:

- Senate Sub. for HB 2946, the omnibus bill, decreased the estimate for net transfers by \$0.259 million, with the major change related to a special veterans benefit lottery game.

## **FY 2009**

The following FY 2009 adjustments were made:

- Senate Sub. for HB 2434, a major tax bill affecting sales tax and individual and corporation tax receipts, increased the overall estimate by \$0.462 million. (The sales tax estimate was decreased by \$2.298 million; the individual income tax estimate was decreased by \$4.440 million; and the corporation income estimate was increased by \$7.200 million.)
- HB 2746, the Real Estate Brokers' and Salespersons' Licensing Act, increased

agency earnings by \$0.010 million.

- House Sub. for Sub. SB 309, relating to retirement and pensions, contains a provision that reduced individual income tax receipts by \$0.140 million.
- SB 531, dealing with school finance, provides for a transfer of \$37.170 million to the Keeping Education Promises Trust Fund.
- HB 2343, concerning postsecondary educational institutions, increased a transfer earmarked for faculty of distinction awards by \$1.000 million.
- Senate Sub. for HB 2946, the omnibus bill, increased the estimate for net transfers by an additional \$4.560 million, with the biggest change attributable to an additional \$7.060 million coming to the SGF from expanded lottery revenues. That legislation also funded additional collection efforts by the Department of Revenue expected to increase tax receipts by an additional \$5.0 million (\$3.0 million from the individual income tax; and \$2.0 million from sales tax).

### **FY 2010 and thereafter**

Although the Consensus Group will not make its initial estimate for FY 2010 until the fall, worthy of note is the fact that a number of provisions in previously enacted legislation will further reduce SGF receipts beginning in FY 2010:

- Legislation enacted in 2006 that decoupled the Kansas estate tax from the federal law beginning in 2007 and eliminates the Kansas tax altogether in 2010 will reduce receipts relative to the prior law by an estimated \$37 million in FY 2010; \$47 million in FY 2011; and \$52 million in FY 2012.
- Legislation enacted in 2007 that phases out the franchise tax will reduce receipts relative to the prior law by an estimated \$26.5 million in FY 2010; \$37.0 million in FY 2011; and \$48.0 million in FY 2012.
- Legislation enacted in 2006 relative to a property tax exemption for business machinery and equipment is expected to further reduce motor carrier property tax receipts to the SGF by \$3.9 million in FY 2010; \$5.6 million in FY 2011; and \$7.4 million in FY 2012.
- Additional legislation enacted in 2005 will reduce severance tax receipts to the SGF by \$12.5 million in FY 2010; \$16.6 million in FY 2011; and \$20.7 million in FY 2012.

**Table 1**  
**Consensus Revenue Estimate for Fiscal Years 2008 and 2009**  
**and FY 2007 Actual Receipts**  
*(Dollars in Thousands)*

	FY 2007 (Actual)		FY 2008 (Revised 6/16)		FY 2009 (Revised 6/16)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$25,812	17.0 %	\$30,500	18.2 %	\$29,500	(3.3) %
Income Taxes:						
Individual	\$2,709,340	14.3 %	\$2,947,000	8.8 %	\$3,069,420	4.2 %
Corporation	442,449	26.3	420,000	(5.1)	332,200	(20.9)
Financial Inst.	31,126	0.2	39,000	25.3	40,000	2.6
Total	\$3,182,915	15.6 %	\$3,406,000	7.0 %	\$3,441,620	1.0 %
Estate Tax	\$55,620	7.4 %	\$47,000	(15.5) %	\$32,000	(31.9) %
Excise Taxes:						
Retail Sales	\$1,766,768	1.8 %	\$1,712,000	(3.1) %	\$1,725,702	0.8 %
Compensating Use	284,981	5.8	272,000	(4.6)	268,000	(1.5)
Cigarette	115,282	(2.2)	110,000	(4.6)	108,000	(1.8)
Tobacco Products	5,305	4.2	5,600	5.6	5,600	--
Cereal Malt Bev.	2,091	--	2,200	5.2	2,200	--
Liquor Gallonage	17,053	2.3	17,600	3.2	17,800	1.1
Liquor Enforcement	47,138	6.6	50,500	7.1	52,000	3.0
Liquor Drink	8,567	7.0	9,200	7.4	9,500	3.3
Corp. Franchise	47,892	2.1	41,000	(14.4)	32,000	(22.0)
Severance	116,025	(13.0)	140,400	21.0	151,300	7.8
Gas	79,624	(17.5)	84,500	6.1	92,600	9.6
Oil	36,401	(1.3)	55,900	53.6	58,700	5.0
Total	\$2,411,103	1.3 %	\$2,360,500	(2.1) %	\$2,372,102	0.5 %
Other Taxes:						
Insurance Prem.	\$114,696	1.4 %	\$119,000	3.8 %	\$119,000	-- %
Miscellaneous	4,601	(22.1)	4,500	(2.2)	3,500	(22.2)
Total	\$119,297	-- %	\$123,500	3.5 %	\$122,500	(0.8) %
Total Taxes	\$5,794,747	8.8 %	\$5,967,500	3.0 %	\$5,997,722	0.5 %
Other Revenues:						
Interest	\$92,276	69.8 %	\$104,000	12.7 %	\$61,000	(41.3) %
Net Transfers	(142,446)		(387,459)		(119,610)	
Agency Earnings	64,467	13.1	52,300	(18.9)	53,510	2.3
Total	\$14,297	(79.3) %	(\$231,159)		(\$5,100)	
Total Receipts	\$5,809,043	7.7 %	\$5,736,341	(1.3) %	\$5,992,622	4.5 %

**Table 2**  
**State General Fund Receipts**  
**FY 2008 Revised**  
**Comparison of April 2008 Estimate to June 2008 Estimate**  
*(Dollars in Thousands)*

	FY 2008 CRE Est. Revised 04/16/08	FY 2008 CRE Est. Revised 06/16/08	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$30,500	\$30,500	\$ --	-- %
Income Taxes:				
Individual	\$2,947,000	\$2,947,000	\$ --	-- %
Corporation	420,000	420,000	--	--
Financial Inst.	39,000	39,000	--	--
Total	\$3,406,000	\$3,406,000	\$ --	-- %
Estate Tax	\$47,000	\$47,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,712,000	\$1,712,000	\$ --	-- %
Compensating Use	272,000	272,000	--	--
Cigarette	110,000	110,000	--	--
Tobacco Product	5,600	5,600	--	--
Cereal Malt Beverage	2,200	2,200	--	--
Liquor Gallonage	17,600	17,600	--	--
Liquor Enforcement	50,500	50,500	--	--
Liquor Drink	9,200	9,200	--	--
Corporate Franchise	41,000	41,000	--	--
Severance	140,400	140,400	--	--
Gas	84,500	84,500	--	--
Oil	55,900	55,900	--	--
Total	\$2,360,500	\$2,360,500	\$ --	-- %
Other Taxes:				
Insurance Premiums	\$119,000	\$119,000	\$ --	-- %
Miscellaneous	4,500	4,500	--	--
Total	\$123,500	\$123,500	\$ --	-- %
Total Taxes	\$5,967,500	\$5,967,500	\$ --	-- %
Other Revenues:				
Interest	\$104,000	\$104,000	\$ --	-- %
Net Transfers	(387,200)	(387,459)	(259)	(0.1)
Agency Earnings	52,300	52,300	--	--
Total Other Revenue	(\$230,900)	(\$231,159)	(\$259)	(0.1) %
Total Receipts	\$5,736,600	\$5,736,341	(\$259)	(0.0) %

**Table 3**  
**State General Fund Receipts**  
**FY 2009 Revised**  
**Comparison of April 2008 Estimate to June 2008 Estimate**  
*(Dollars in Thousands)*

	FY 2009 CRE Est. Revised 04/16/08	FY 2009 CRE Est. Revised 06/16/08	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$29,500	\$29,500	\$ --	-- %
Income Taxes:				
Individual	\$3,071,000	\$3,069,420	(\$1,580)	(0.1) %
Corporation	325,000	332,200	7,200	2.2
Financial Inst.	40,000	40,000	--	--
Total	\$3,436,000	\$3,441,620	\$5,620	0.2 %
Estate Tax	\$32,000	\$32,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,726,000	\$1,725,702	(\$298)	(0.0) %
Compensating Use	268,000	268,000	--	--
Cigarette	108,000	108,000	--	--
Tobacco Product	5,600	5,600	--	--
Cereal Malt Beverage	2,200	2,200	--	--
Liquor Gallonage	17,800	17,800	--	--
Liquor Enforcement	52,000	52,000	--	--
Liquor Drink	9,500	9,500	--	--
Corporate Franchise	32,000	32,000	--	--
Severance	151,300	151,300	--	--
Gas	92,600	92,600	--	--
Oil	58,700	58,700	--	--
Total	\$2,372,400	\$2,372,102	(\$298)	(0.0) %
Other Taxes:				
Insurance Premiums	\$119,000	\$119,000	\$ --	-- %
Miscellaneous	3,500	3,500	--	--
Total	\$122,500	\$122,500	\$ --	-- %
Total Taxes	\$5,992,400	\$5,997,722	\$5,322	0.1 %
Other Revenues:				
Interest	\$61,000	\$61,000	\$ --	-- %
Net Transfers	(86,000)	(119,610)	(33,610)	(39.1)
Agency Earnings	53,500	53,510	10	0.0
Total Other Revenue	\$28,500	(\$5,100)	(\$33,600)	(117.9) %
Total Receipts	\$6,020,900	\$5,992,622	(\$28,278)	(0.5) %



TABLE 4  
Legislative Adjustments by Bill by Source to FY 2008 Estimates  
(\$ in millions)

	<u>Transfers</u>	<u>Total</u>
S Sub HB 2946	-\$0.259	-\$0.259

TABLE 5  
Legislative Adjustments by Bill by Source to FY 2009 Estimates  
(\$ in millions)

	<u>Sales</u>	<u>Ind Inc</u>	<u>Corp Inc</u>	<u>Ag Earn</u>	<u>Transfers</u>	<u>Total</u>
S Sub HB 2434	-\$2.298	-\$4.440	\$7.200	---	---	\$0.462
HB 2746	---	---	---	\$0.010	---	\$0.010
H Sub Sub SB 309	---	-\$0.140	---	---	---	-\$0.140
SB 531	---	---	---	---	-\$37.170	-\$37.170
HB 2343	---	---	---	---	-\$1.000	-\$1.000
S Sub HB 2946	\$2.000	\$3.000	---	---	\$4.560	\$9.560
Total by Source	-\$0.298	-\$1.580	\$7.200	\$0.010	-\$33.610	-\$28.278